

Energy Efficiency Advisory Council Responsibilities

On July 2, Governor Deval Patrick [signed into law](#) the Green Communities Act, a comprehensive energy reform law developed in close collaboration with House Speaker Sal DiMasi and Senate President Therese Murray. Among many other changes, [the bill](#) creates an Energy Efficiency Advisory Council, whose members will play a key role in designing and approving the Commonwealth's utility- and municipal aggregator-operated energy efficiency programs.

The legislative mandate that establishes the Council requires that “electric and natural gas resource needs shall first be met through all available energy efficiency and demand reduction resources that are cost effective or less expensive than supply.” This is a dramatic change in the responsibilities of the utility companies and municipal aggregators, and it will require bold new thinking, aggressive new measures, and significant redesign of existing programs. The new policy effectively makes energy efficiency the “first fuel” in meeting our electric and natural gas needs.

We expect that council members will be fair, reasonable, open-minded, committed to achieving goals of the Act, and willing to work cooperatively with other stakeholders. Council members, who are representing constituencies named in the statute, will be expected to attend and participate regularly in Council meetings; contribute their knowledge and expertise to the best of their abilities; participate in Council processes and discussions including any committee processes set up by the Council; and, for Councilors in voting seats, vote, according to their best judgment, in such a way as to enable the Commonwealth to achieve the efficiency mandates of the Green Communities Act.

Funding for Energy Efficiency

Existing efficiency programs have been demonstrated to be highly cost-effective, where energy savings cost roughly 3 cents per kilowatt-hour versus roughly 10 cents per kilowatt-hour for power generation. Electric and gas distribution companies are now required to procure all available energy efficiency resources that cost less than supplying electricity or gas, ultimately saving money on consumers' electricity bills.

Electric Efficiency

- Previously the sole mechanism for funding electric energy efficiency was a fixed System Benefits Charge (SBC) of 2.5 mils for every kilowatt-hour sold. That amounted to approximately \$125 million annually, depending upon actual electric sales.
- Electric companies are now under a mandate to procure all cost effective energy efficiency. Programs will be funded by a combination of revenue sources. The SBC is retained in the Green Communities Act but is now supplemented by other revenues: proceeds from the Forward Capacity Market (FCM), the Regional Greenhouse Gas Initiative (RGGI) and “other funding that may be approved by the Department (of Public Utilities)....”

Gas Efficiency

- There has been no gas SBC. In the past gas PA's submitted five year plans with annual adjustments and sought recovery following the end of each program year. Previous settlements resulted in annual expenditures of \$25 million statewide.
- Gas companies are now under the same Least Cost Procurement mandate as the electric companies. Gas Program Administrators (PA's) will propose plans and a "fully reconciling funding mechanism" to fund the programs.

Council's Composition and Functions

- The Council is composed of representative organizations and interests that are named in the legislation. Council members are appointed by the DPU and serve five year terms. The Council is chaired by the DOER Commissioner. DOER will provide staff support to the Council.
 - Representative interests/organizations: Residential customers; the Low Income Weatherization and Fuel Assistance Network (LEAN); the environmental community; businesses, including large C/I end users; the manufacturing industry; energy efficiency experts; organized labor; the MA Department of Environmental Protection (DEP); the Attorney General; the Executive Office of Housing and Economic Development ; and the Department of Energy Resources (DOER).
- The Council's primary mandate is to seek to "maximize the net economic benefits through energy efficiency and load management resources and to achieve energy, capacity, climate and environmental goals through a sustained and integrated statewide energy efficiency effort."
- The principal means to meet that mandate is the development and approval of three-year comprehensive energy efficiency plans, developed in cooperation with electric and gas Program Administrators.
- The Council is also charged with developing a longer term vision, including recommendations concerning studies and research to achieve the goals of acquiring all cost-effective efficiency that's less than the cost of generation, and maximizing economic and environmental benefits that can be realized through increased energy efficiency.
- The Council may retain consultants and shall submit an annual budget to the DPU regarding the level of consultant and administrative costs required to perform its responsibilities.
- The Program Administrators will report to the Council quarterly and the Council will submit an annual report to the legislature. The content of the report will be determined by the Council.

Three-Year Energy Efficiency Plans

- Electric and gas PAs are required to develop three-year energy efficiency plans that seek to acquire all cost-effective energy efficiency that is less than the cost of supply. The first of these plans will be due to the Council April 30, 2009. The Council will have the opportunity to review the plans, pose questions and concerns and ultimately vote on the plan, submitting the plan to the DPU no later than October 31, 2009. DPU then has 90 days for final review and approval.
- The Plans are required to be comprehensive; they are required to be statewide; they are required to address integration of electric and gas initiatives; they are required to provide at least minimum percentages of programs and benefits for low income customers and otherwise equitably serve the various customer classes.
- Plan elements include:
 - Assessment of estimated lifetime cost, reliability and magnitude of all available energy efficiency and demand reduction resources that are cost effective or less than the cost of supply;
 - Identification of the resources to be acquired under the plan;
 - The estimated energy cost savings, including reductions in capacity and energy costs;
 - Description of programs which may include (but are not required or limited to)
 - Efficiency and load management
 - Demand response
 - Research, development and commercialization of products/services
 - Development of markets for new products/service
 - Energy use assessments, real-time metering/monitoring, engineering studies relating to new construction/renovation, high-performance code and other building standards
 - Programs for design, manufacture commercialization of new lighting, HVAC, and other devices
 - Planning and evaluation
 - Public education in energy efficiency and demand reductions
 - Budget
 - Fully reconciling funding mechanism
 - Peak load reductions and economic benefits to be generated by the programs

Key Issues and Decision Points

The window for constructing the first Three Year Plan is a short one. Below are some of the key issues and tasks. DOER staff will, after the first Council meeting, begin putting a timeline to our responsibilities, and send out a draft workplan.

- Plan format and content requirements

- Determination of overall goals (3 year and annual)
- Resources to be devoted to research, evaluation
- Integrated program designs e.g. moving away from prescriptive measures to comprehensive, customer-centered multi-year approaches or strategies that achieve deeper savings
- Financing options such as on-bill financing
- Addressing capacity constraints in the efficiency sector
- Addressing communication and other barriers that slow down adoption of efficiency measures
- Resources to be devoted to pilot initiatives – new technologies, behavioral initiatives, other
- Policies for combined heat and power
- Broad policy directions, e.g balance of energy v. peak demand reductions